How to change organizations from the outside

Why looking at organizational failure helps us to avoid it

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Everybody
knows the ship is sinking
Everybody knows the captain lies . . . .
That's the way it goes, everybody knows.
Leonard Cohen

94 % of
organizational problems
are to do with structure or systems.
Only 6% are to do with people. W Edwards Deming.

1.0 To the global citizen who wants more from their country's institutions and organizations.

If we want organizations to change and to take us seriously we need to show that we take them seriously. It is easy to get a superficial change. A sensationalistic report on a current affairs program will get action but it will be short lived. If we want sustained systemic change it requires a different approach - an approach based on an understanding of how organizations really work as opposed to how they should work.

This paper suggests that the vast majority of organizations are deeply flawed. The exceptional organization is as its name suggests very rare. Only 11 companies out of nearly 1500 companies made Jim Collin's list of Good to Great. Collins (2000) The reality is that most organizations, despite the glossy annual reports aren't very successful. In fact, according to a Bain Global Database collected prior to the global financial crisis, only 12% of all publicly listed companies worldwide were able to return their original investment within 10 years. Zook and Allen (2010) Most organizations consist of a mosaic of good, mediocre and poor departments or sections reflecting the structure, leadership, culture, resourcing and the level of development of their people.

The challenge for global citizens and people who can see huge unmet needs, who can see that organizations are failing to achieve their stated purpose - that environmental protection agencies are failing to protect the environment, that health organizations are failing to create healthy environments, that educational organizations are failing to deliver high quality eduction outcomes that the justice institutions are failing to deliver justice - is to find a way of intervening without that intervention becoming part of the problem. The challenge is to help organizations lift their performance for a sustained period of time. To do this we need to appeal to the exceptional people within these organizations and the exceptional bits within those people who are not so exceptional. We need to speak to their purposes and support their development. We need to help organizations make the difficult journey from FIBS to ROCK (see later) Blaming and shaming may be easy but will not work. This paper introduces a tool to help us understand organizational dysfunction. It is through an understanding of dysfunction that we can come to understand what needs to happen for organizations to take this journey.

1.1 A framework for understanding the origins of man made cataclysmic events

This section shows how organizational dysfunction and disasters can be analysed by looking at four interconnected failures; failure of structure, failure of purpose, failure of leadership and failure of culture. Each failure can be represented by one of the four triangular faces on a tetrahedron. In this model failure of structure forms the base. (See Fig. 1)

Figure 1
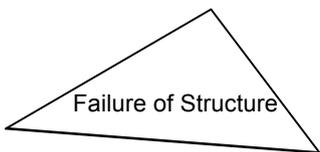
Failure of Structure: A failure of structure occurs when the productivity of the organization is undermined by its own structure. This is observed when a large proportion of the organization's people measure their success primarily by their position in the structure and not by their contribution. Some people call this emphasis on position at the expense of contribution 'bureaucracy'. Failure of structure is endemic in every pyramidal structure in the absence of good leadership. Pyramidal structures are never able to make the best use of their people's resources. A recent McKinsey & Co survey asked senior management across a range of industries to assess how much time each of them spent on how to work around or accommodate other people's egos. According to McKinsey's 20% of all executives time is spent on this exercise. Necessarily the decisions made in these cases are always flawed. Who gets the credit or bonus and who doesn't? Who gets made head of a project and who is placed into a holding position? Who leaves prematurely etc because of immature responses? Rennie (2010)
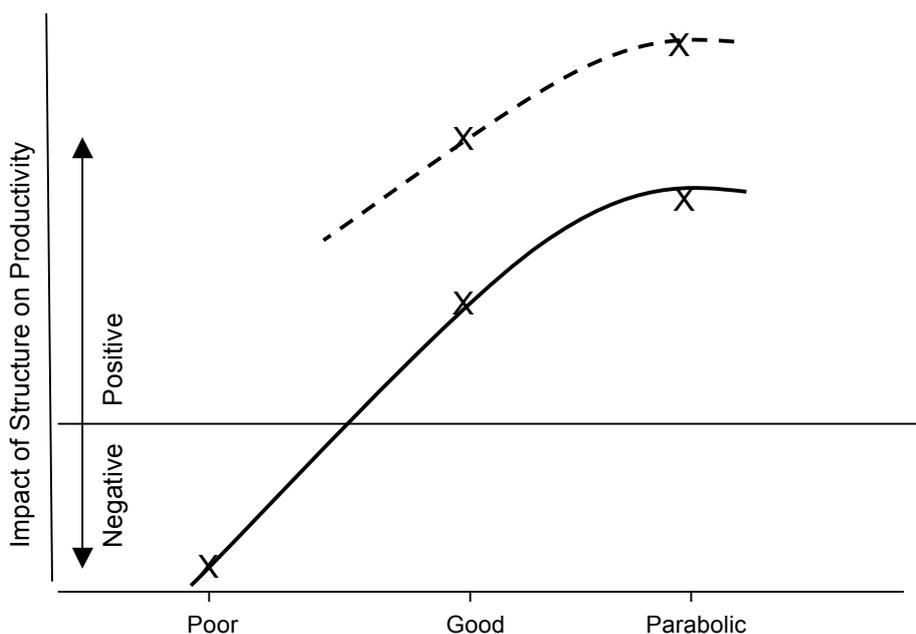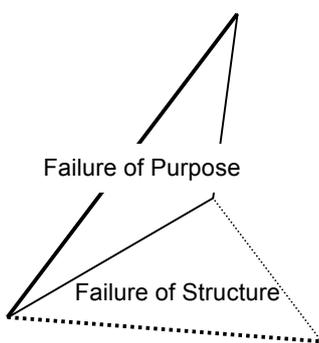

Figure 2.

Figure 2 shows the Impact of Structure on Productivity as a function of Leadership. Parabolic structures are Represented as - - - - - - - - - - Pyramidal structures are represented by _____

Figure 2 shows that Pyramidal structures have a positive impact on productivity when combined with good and excellent leadership (both Pyramidal and Parabolic). Excellent leaders use structure to facilitate achievement. Greatest productivity occurs when Parabolic Leadership is combined with a Parabolic Structure and this will be explored in greater detail elsewhere.

Pyramidal structures have a negative effect on productivity in the presence of poor leaders, for example;
        Laissez faire leader (They believe that things will work out with a hands off approach)
        Incompetent leader (They try but are not up to the job) and
        Deceptive leader (They have hijacked the organization to meet their own needs)
Parabolic structures work best when led by parabolic leaders. Deceptive leaders have no place in these structures and are asked to leave very early because their deception can not stand the scrutiny of transparency. Similarly poor, incompetent and laissez faire leaders don't last long in parabolic structures because there is nowhere to hide.

Failure of Purpose: Figure 2 above shows, that in the absence of effective leadership, structure compounds organizational dysfunction. The flaws, endemic to the pyramidal structure makes it easier for a deceptive leader or leadership group to hijack an organization to serve their own personal (group) needs. With few exceptions the leadership group will espouse the official purpose, eg. 'Our first responsibility is to our shareholders', 'Our duty is to serve the people of this great land' etc. whilst actively pursuing a different self-serving purpose. Initially this two-faced behavior can be difficult to detect. When most people measure their success in terms of position instead of contribution fear of losing status gives leadership groups tremendous power to cut regulatory corners, shackle governance processes and 'cook the books'. The possibility of the leadership group pursuing a self-serving purpose should be seriously entertained if a leader or leadership group acts to make the governance processes less transparent.

Over and over again deceptive leaders have been able to paint a false picture of their organization's performance after doing just that. It can take many years for the real truth to come out. Enron's chief, Ken Lay, along with his executive group had been cooking the books for decades prior to the company's spectacular collapse. This occurred with the connivance of both the banks and the auditing firms. The same is true for Bernard Madoff whose investment fund had collapsed in 2008 with over $65 billion of investments that had vanished into thin air and more recently Lehman Brothers bank used 'aggressive accounting' to shed $50 billion of debt before going under and precipitating the Global Financial Crisis. The massive payouts given to CEO's who have failed to perform (often through a failure of purpose) are proof that pyramidal organizations have great difficulty in holding senior people accountable for the predictable outcomes of their behaviors.
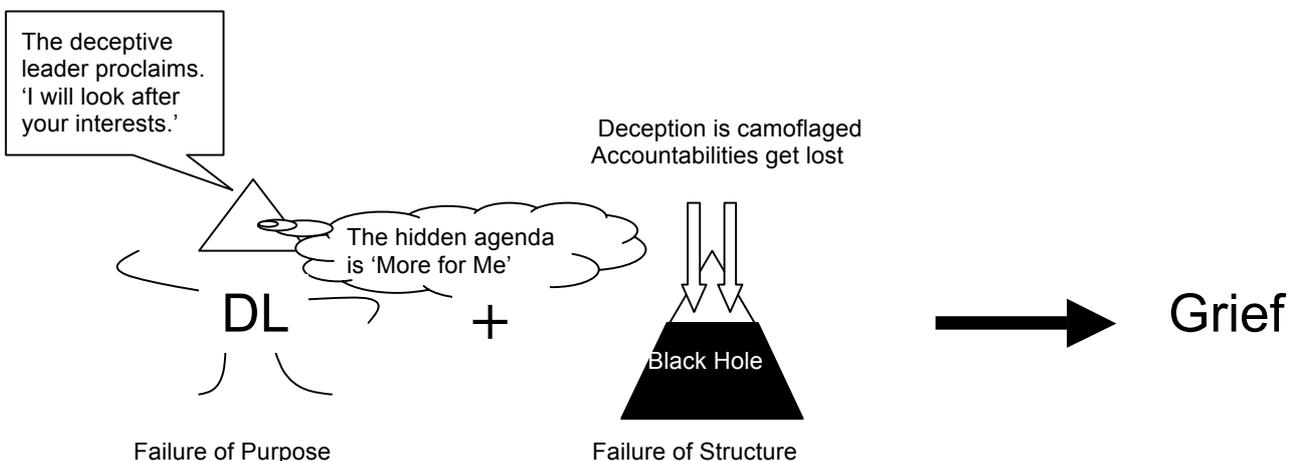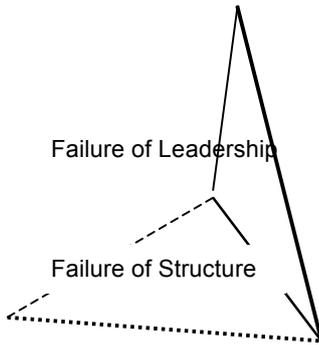
Figure 3 shows the pyramidal structure's contribution to the grief that follows a deceptive leader's pursuit of self interest.

Failure of Leadership: When the leader or leadership group of an organization pursues a 'failure of purpose' the pyramidal structure makes it difficult for other leaders throughout the organization to display good leadership. What is good leadership? you could ask. First there are many definitions of leadership the one I prefer is as follows. Good leadership is determined by how well the leader encourages the expression and use of their people's intelligence and creativity (see Figure 4 below). This requires a willingness to entertain doubts about the purpose, to be open minded and to look broadly at the possibilities. Good leaders also display high ROCK behaviour – that is, they show tremendous respect for their people and take responsibility for their actions.

When the top leaders of an organization show an unwillingness to listen to inconvenient truths the pyramidal structure helps them to discourage less senior leaders from bringing up inconvenient truths for fear of losing their positions. In the case of extremist regimes, ruthless dictators, eg, Stalin, Mao Tzedong or Sadam Hussein, would deliberately seek out a subordinate to publicly denounce as a traitor. In less extreme cases bearers of inconvenient truths are labelled as non-team players, trouble-makers and whistleblowers. Such labels often bring great hardship. Poor leaders usually display FIBS characteristics (see description in Figure 4 below). They are credit thieves. They inflate their own contribution to any successful project and diminish the role played by people they deem unimportant. Poor leaders do not take responsibility for the predictable outcomes of their actions and are quick to find scapegoats.
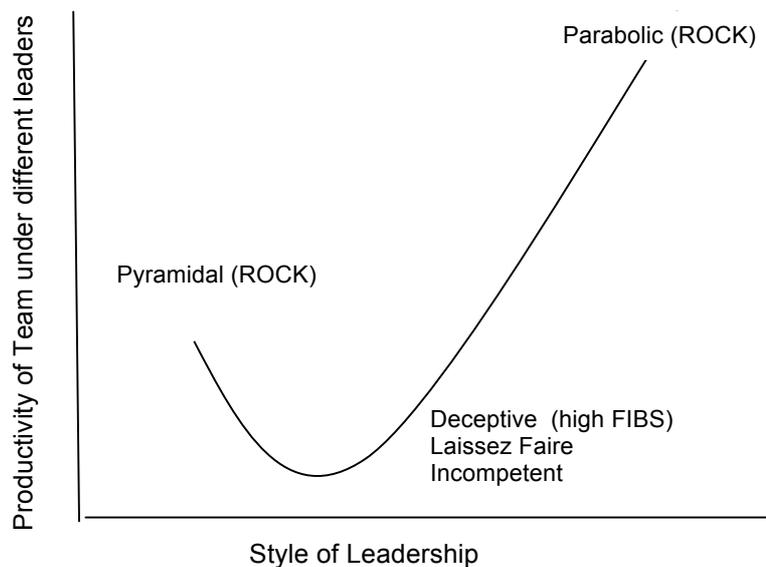
Figure 4 is adapted from *The Wisdom of Teams* by Katzenbach and Smith. The graph shows the contribution to team productivity by different types of leaders. Pyramidal leaders can make a significant contribution to team productivity provided they show high **ROCK** behavior ie. they show **R**espect, take **O**wnership of their part in any mistake, they **C**redit people for good work and the **K**eep commitments. A leader who pursues a failure of purpose is a deceptive leader. This makes them highly likely to display **FIBS** characteristics. They **F**latter anyone who is important, they **I**nflate their own contribution to projects, they **B**reak commitments made to people whom they consider unimportant and they **S**capegoat others to avoid taking responsibility. We will explore these characteristics in greater detail elsewhere.

In some cases a senior leadership group may seek to retain the 'trouble-maker' because that individual may add status and credibility to the organization. Commonly the troublemaker displays high ROCK behavior. In these cases the 'trouble-maker' is often quarantined. When Secretary of State Colin Powell tried to express inconvenient truths, about the consequences of going to war with Iraq, his experience and wisdom was dismissed. When it became clear that the war was non negotiable Powell faced a choice, either resign or participate as a committed team member. He chose to remain in the team but at some cost to his reputation when he argued the administration's case for war at the United Nations. Later he instructed the State

Department to prepare plans for the post invasion reconstruction phase. But Powell's leadership initiative was quarantined by other members of the Bush administration. For example, Secretary of Defence, Donald Rumsfeld, ordered his department to destroy all copies of the plan.

Having described the differences between good and poor leaders we can now crystallize what I mean when I use the term a failure of leadership. A leader fails when they repeatedly;
> 1) Fail to explore inconvenient truths (They demonstrate an inability to listen with an open mind) AND OR
> 2) Fail to take responsibility for the predictable consequences of their behaviours or decisions (They demonstrate hypocrisy. They expect others to take responsibility but avoid it themselves. AND OR
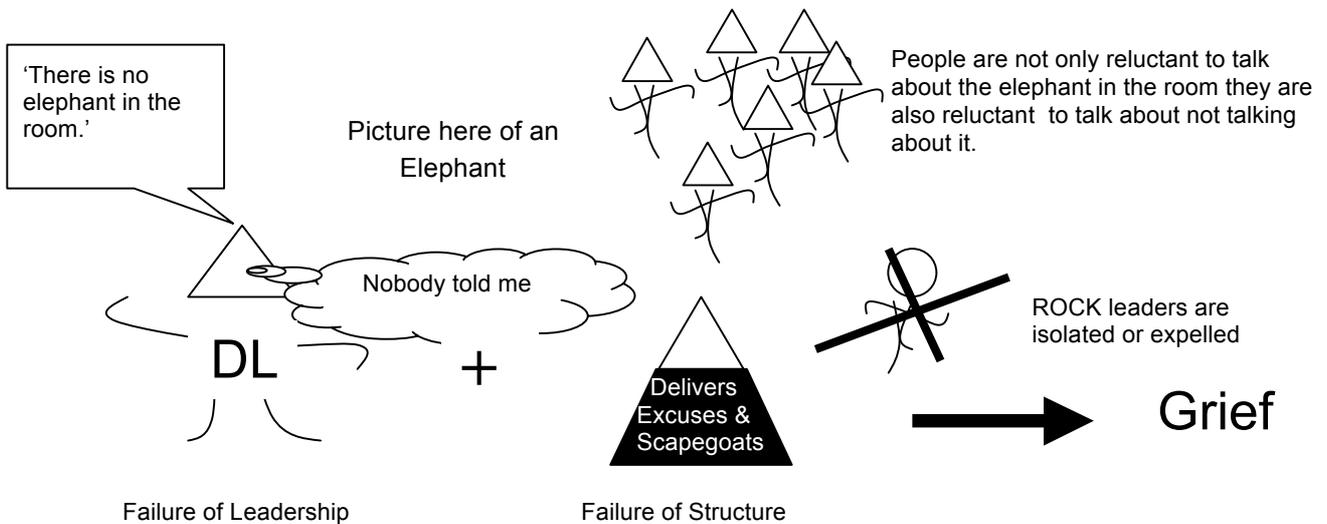> 3) Fail to model ROCK behavior and encourage FIBS behavior in subordinates.

Figure 5 Shows the pyramidal structure's contribution to the grief that occurs when leaders deny inconvenient truths.

As depicted in Figure 5 above the pyramidal structure compounds a failure of leadership by shielding a leader from having to face up to the consequences of not listening ('Nobody told me') and then shielding from the consequences of their decisions ('The intelligence was flawed').

'There is no
more potent weapon
in the hands of the oppressor
than the mindset of the oppressed.' Steve Biko.
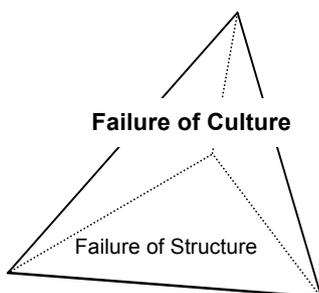
Failure of Culture: Failures of structure, purpose and leadership impact the culture in two main ways. First, the culture becomes one of conformity with an intolerance to deviance especially to bearers of inconvenient truths. Second, status and control become the dominant drivers of behavior. FIBS behaviors increase as a consequence.

The culture constantly rewards uniformity and penalises deviance. The saying, 'You are either with us or against us,' doesn't mean 55% percent will be okay. Only 100% will be good enough. Sometimes staff will go to extraordinary lengths to conform and even mirror a leader's behavior, for example, they will wear similar colour combinations of clothing or adopt the leader's latest fad.

In the 1960s during a period of great dysfunction within the FBI the then director, J Edgar Hoover, boasted about the benefits of a weight loss program he had commenced. Hoover would confront obese employees and suggest they lose weight. Word quickly spread that being overweight and doing nothing about it opened you up for criticism. This led to several agents buying suits that were one or two sizes too big for them. An agent would wear an oversize suit for a couple of weeks and then tighten his belt a couple of notches to draw people's attention to evidence of loss and say 'It is time I bought a smaller suit.' A few months later Hoover relapsed and grew tired of the program. Weight loss no longer was such a big deal. Gentry (1990)

The display of conformity is constantly reinforced even when people are outside their normal working environment. Suppose we take a look at what happens during the first morning coffee break at a typical national "widget makers" association conference. Let's focus on Amy, a middle level manager from a large organization as she enters the crowded function room and joins a queue. Amy is likely to scan the room looking for both familiar faces and the presence of other people from her own organization. Once Amy detects the presence of another member, for example Orlando, she will make a quick reference to her own (internalized organization chart) and ask herself. 'Is Orlando above me? . . below me? . . on the same level?' Amy carries this structure in her head wherever she goes and her behavior is affected by it. But it doesn't stop there. Amy's behavior is also affected by what she believes Orlando will think of her.

Amy is both watching and aware of being watched by Orlando. Now comes the important bit. When the organization is suffering from a failure of leadership the pyramidal structure makes both Amy and Orlando less generous towards and more wary of each other. Communication between them rarely ventures beyond what is safe to talk about. Only "good news" about the organization is shared and other conversations are based on safe topics – the weather or who won the football tipping competition. Back at the organization misinformation isn't tested or questioned in meetings. Key information gets left out and people make up negative fantasies about each other. They often treat those untested fantasies as real. When this pattern is replicated thousands of times between the Amy's and Orlando's of an organization the magnitude of failure is compounded. When we add failure of purpose to the mix - which as we have seen is more likely in a pyramidal organization - the organization becomes toxic and the outcome will be grief or GRIEF depending on the context.

The second expression of failure of culture is an increase in FIBS behaviors throughout the organization. When success is measured by position in the hierarchy and not by contribution there is an incentive to become "political". People eager to advance up the organization are likely to adopt FIBS behaviors. You will notice the FIBS behaviors are the polar opposite to the behaviors associated with high achievement cultures / organizations, that is ROCK behaviors. (Strictly speaking the variables represented by ROCK and FIBS are independent, that is, it is possible for people to show high levels of both FIBS and ROCK but this is uncommon.)
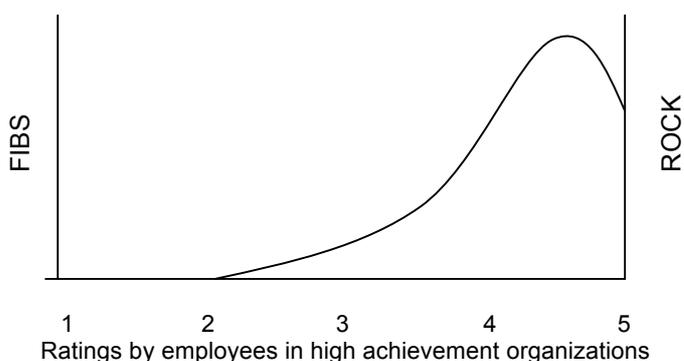

Figure 6
In high achievement oriented organizations there is a high proportion of ROCK behavior shown throughout. Where ROCK stands for
Respect shown to everyone
Ownership taken for errors
Credit given for good work
Keeping commitments.

Ratings by employees in high achievement organizations

The author has surveyed thousands of people from hundreds of organizations. To make it safe for people to answer truthfully we asked the following question; 'We would like you to imagine yourself standing in the

shoes of one of your colleagues. Someone you know well. From the perspective of your colleague please rate your organization's culture on a scale of 1 to 5, 1 being high FIBS culture and 5 being high ROCK. We don't want your own rating. We want to know what rating you think your colleague would give your organization.'

In high achievement oriented organizations (Figure 6 above) the distribution curve is heavily skewed towards the high ROCK end of the graph. In toxic organizations (Figure 7 below) characterized by failures in structure, purpose, leadership and culture the curve is usually bipolar. The bipolar nature of the curve represents two different populations. The larger and more FIBS rating part of the curve is the rating given by the more junior parts of the organization. The smaller and more ROCK curve represents more senior and executive management. It is common for executives in pyramidal organizations to have blind spots about their behavior.

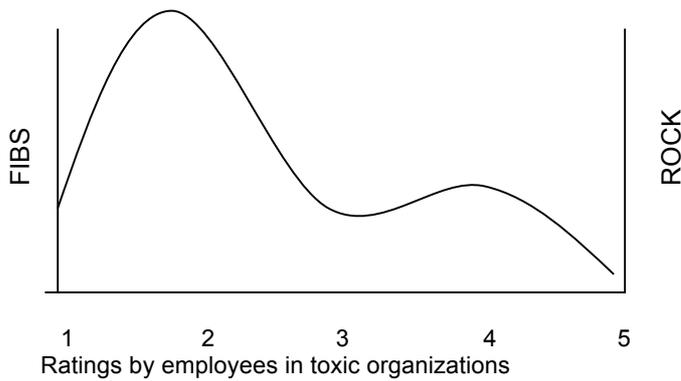**Ratings by employees in toxic organizations**

Figure 7
In organizations characterized by failures in structure, purpose, leadership and culture there is a high incidence of FIBS behavior. People who exhibit high FIBS behavior
Flatter important people
Inflate their contributions to winning projects
Break commitments to people deemed unimportant
Scapegoat others when things go wrong

All news is good news about this organization

FEAR

It doesn't pay to take risks. I may lose my position.

FIBS Rewarded

+

→ Grief

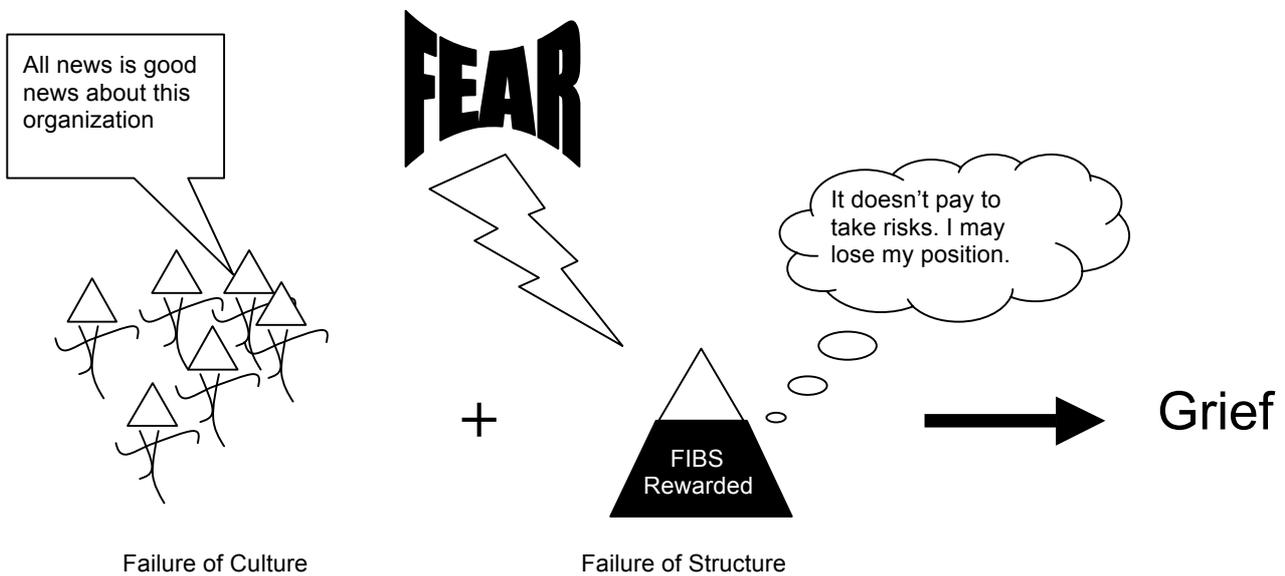Failure of Culture   Failure of Structure

Figure 8 shows how flaws of the structure (where position is more important than contribution) compound the failures of purpose and leadership and accentuates a failure of culture.

The combination of failures, of structure, purpose, leadership and culture creates an almost impenetrable barrier for a dissenting individual to have their inconvenient truth heard. It creates a failure of listening where only one voice can be heard, that of authority, and when the authority gets it wrong . . . . . (which it often does) . . . . . GRIEF.

1.2 The Pyramidal structure enabled the Jewish Holocaust

Some people will argue that the problem of organizational grief lies with the individual leaders. They argue that leaders with narcissistic or sociopathic tendencies are the root cause of the problem. Whilst it is true that nearly all of the leaders who have been at the helm of toxic organizations have shown these tendencies this argument misses the real elephant in the room.

First, pyramidal organizations attract narcissistic leaders, a small percentage of whom will be sociopathic whilst parabolic organizations reject narcissistic leaders.

Second, pyramidal organizations facilitate the execution of the narcissist's plans. These plans would be blocked in organizations with alternative structures (eg. sociocratic or parabolic).

Stanley Milgram was one of a handful of social scientists who made a huge contribution to our understanding of the abuse of power. Milgram's most famous experiment examined the willingness of individuals to comply with an authority figure's request to punish a man for submitting the wrong answers to a questionnaire. The punishment appeared to involve administering ever higher levels of electric shocks to a man in another room who could be observed through a two way mirror. The man would howl after each shock and seem as though he was in excruciating pain. (In reality the man behind the two way mirror was an actor and there were no electric shocks) Milgram showed that more than half of the volunteers were willing to administer what appeared to be potentially lethal shocks at the urging of a man carrying a clip board and dressed in a white coat.

In a letter to a friend, written in 1958, Milgram wrote: 'My true spiritual home is Central Europe, not France, the Mediterranean countries, England, Scandinavia or Northern Germany, but that area which is bounded by the cities of Munich, Vienna and Prague I should have been born into the German-speaking Jewish community of Prague in 1922 and died in a gas chamber some 20 years later. How I came to be born in the Bronx Hospital, I'll never quite understand.' Dimow (2004)

Milgram conducted some 20 variations on his experiment to learn more about factors that compel people's obedience. Days after his final experiment was completed, Israel executed Adolf Eichmann after rejecting his 'just following orders' defense.

In an article for *Jewish Currents*, Jacob Dimow wrote, 'Milgram considered his results to uphold Hannah Arendt's argument about the banality of evil (from her 1963 book, *Eichmann in Jerusalem*). "After witnessing hundreds of ordinary persons submit to the authority in our own experiments," Milgram wrote, "I must conclude that Arendt's conception ... comes closer to the truth than one might dare imagine. This is, perhaps, the most fundamental lesson of our study: Ordinary people, simply doing their jobs, and without any particular hostility on their part, can become agents in a terrible destructive process. Moreover, even when the destructive effects of their work become patently clear, and they are asked to carry out actions incompatible with fundamental standards of morality, relatively few people have the resources needed to resist authority." Dimow (2004)

The authority Milgram is talking about is the power held in the toxic pyramidal paradigm ie. the combination of structure, deceptive purpose, failed leadership, and failed culture.

1.3 Helping organizations move from the dysfunctional to functional

Having seen how the tetrad model can be used to analyze the factors causing dysfunction in the worst case scenarios we can now re-work the model to help see how dysfunction can be overcome.

In an ideal world organizations would make the shift from pyramidal to parabolic so that people working within those organizations would be motivated to take action underpinned by the values of relationship and achievement. For the moment we have to accept the problems inherent in the flawed pyramidal structure and the significant inefficiencies that flow from it. This means that most organizations will still have sections / departments that are deeply flawed. Many people will still, to a large extent, be motivated internally by fear or favor. In the absence of a disaster these are poor motivators.

Our task is to accept that failure of structure is a given. We have to mitigate its effects by addressing the other areas - failure of purpose, failure of leadership and failure of culture.

When we accept that most organizations, represented by Organization A, are cumbersome and reactive when under attack it becomes easier to see why change is more likely if problems are framed in an action oriented way. That is, to move away from focusing on what Organization A isn't doing to focus instead on a thoughtful analysis of what Organization A could be doing.

When the leaders of the organization are not pursuing actions consistent with their stated purpose it is possible to speak to other, latent leaders who will be there within the organization but need support to be more active. It is possible to say . . . . 'We have a stake in the success of Organization A's program. We believe Organization A is serious about its stated intent. We believe that Organization A would want to maximize the chances of a successful outcome and as such would welcome constructive suggestions.

We believe that for Organization A to achieve its purpose it would be establishing relationships with these organizations (name the organizations). Organization A would be supporting the work of . . . . and encouraging the work of . . . .

We believe that the leaders within Organization A would be open to inconvenient truths. We understand the embarrassment and disappointment at failure but failure is an important component of learning and for learning to occur the failures need to be understood. We believe the failures of . . . . and . . . . need to be taken more seriously than they seem to have been. We think that the leaders need to fully understand their role in these failures and explore how their actions and systems contributed to the failures and how they can be improved.

We want the leaders and the people who work in Organization A to understand how important we think their work is. We would like the leaders to show their colleagues the respect they need to do this work well and to show a willingness to listen to early warning signs and respond accordingly.

We would like to hear of how the work of Organization A is impacting on colleagues / people in the field. Our experience tells us that people from Organization A have not yet understood the importance of working as partners. We see this in the following . . . . We want to help and for this to happen our colleagues and the people from Organization A need to bring a collaborative mindset to these relationships. . . . .

Okay that is the approach now we need to find a case study.

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